

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **West Chester Savings Bank, Washington, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CAR Part 228.

INSTITUTION'S RATING: This institution is rated **Satisfactory**.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location and current economic conditions. These efforts are evidenced through an acceptable loan to deposit ratio, the majority of the bank's loans are originated within the assessment area, and a strong performance of lending to businesses and farms of different sizes as well as consumers of different income levels.

The following table indicates the performance level of **West Chester Savings Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	WEST CHESTER SAVINGS BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	There are no low- or moderate-income geographies, thus the analysis is not meaningful.		
Response to Complaints	No CRA-related complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

West Chester Savings Bank, with \$18 million in total assets as of June 30, 1996, is a subsidiary of FSB Holding Company, Kalona, Iowa, a two-bank holding company. The bank's main office is located in Washington, Iowa, with an additional full service branch office located in West Chester, Iowa. Washington is approximately 180 miles southeast of Des Moines. In November of 1995, the charter was moved to Washington, Iowa, and the West Chester location remained as a branch office. The bank offers a variety of deposit products and services, as well as consumer, real estate mortgage, commercial and agricultural loans.

The bank is predominantly an agricultural lender. Based upon information contained in the most recent Uniform Bank Performance Report, 55.39% of the bank's portfolio is agricultural and secured by farmland, followed by 1-4 family residential loans (19.82%). Local competition for the bank is Washington State Bank, Washington, Iowa; Washington Federal Savings Bank, Washington, Iowa; and Farmers Savings Bank in Keota, Iowa.

DESCRIPTION OF WEST CHESTER SAVINGS BANK'S ASSESSMENT AREA

The bank's assessment area consists of four block number areas (BNA's) in Washington County located in the southeastern portion of the state, none of which are low- or moderate-income. The assessment area includes the towns of Washington, with a population of 7,100 and West Chester with a population of 178.

The population of the bank's assessment area is 14,882, based upon 1990 census data; Whites constituted 14,699 or 98.8%, Blacks 45 or 0.3%, Hispanics 109 or 0.7%, and all other minorities represented 29 or 0.2% of the population. The total number of housing units in the assessment area is 6,090, with 4,079 or 66.98% owner occupied and 1,665 or 27.34% renter-occupied. The median age of the housing stock is 56 years, compared to the State of Iowa median age of 41.

Economic activity and recent growth is primarily related to agriculture. Agricultural production primarily consists of row crops such as corn and soybeans, and livestock production including farrow-to-finish and feeder pig operations. Local non farm employment opportunities are provided by McCleery Cumming Company, with 255 employees; Washington County Schools with 230 employees; Modine Manufacturing Company with 150 employees; and Crane Valve Company, with 165 employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-Deposit Ratio

A review of the bank's Consolidated Report of Conditions since June 30, 1995, revealed an average quarterly loan-to-deposit ratio of 66.03%. According to the Uniform Bank Performance report dated June 30, 1996, the bank's net loan-to-deposit ratio of 51.81% is lower than its peers at 59.13%. Bank management stated that deposit growth has out paced loan growth since the charter was moved to Washington, Iowa, which has negatively impacted the loan-to-deposit ratio of the bank. Bank management expects to increase lending so that the bank's loan-to-deposit ratio increases to a maximum of 75%.

The bank's loan portfolio is comprised largely of agricultural-related loans. Based on analysis of the Uniform Bank Performance Report (UBPR) dated June 30, 1996, the bank's performance compared to peer is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.70	0.67
1 - 4 Family Residential	19.82	24.02
Home Equity	0.00	0.00
Other Real Estate	38.16	17.05
Farmland	31.49	8.85
Multi-family	0.96	0.07
Commercial	5.72	5.73
TOTAL REAL ESTATE LOANS	59.69	45.30
LOANS TO INDIVIDUALS	6.58	14.66
CREDIT CARD LOANS	0.00	0.01
COMMERCIAL & INDUSTRIAL	9.17	12.20
AGRICULTURAL LOANS	23.90	20.08
MUNICIPAL LOANS	0.63	0.08
OTHER LOANS*	0.02	0.12
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables.		

The preceding chart indicates that the bank's lending secured by farm real estate is 31.49%, which is significantly higher than its peers with 8.85%; this is consistent with the needs of the community. The bank meets standards of satisfactory performance, considering its capacity to lend, demographic and economic factors and the lending opportunities available in the assessment area.

Lending in Assessment Area

All installment and commercial loans made during the six month period of March 1996 through August 1996, were reviewed to determine the bank's level of lending within its assessment area. Of the 159 installment and commercial loans reviewed, 57.86% were within the assessment area. The bank's lending in the assessment area meets the standard for satisfactory performance. It was determined that a substantial number of the originations outside the assessment area were concentrated in the town of Keota, which is on the border of the bank's assessment area. When lending in Keota is added to lending within the assessment area, the lending level increases to 76.73%. Additionally, the bank's indirect installment lending lowers the proportion of bank lending within the assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The review of the six month commercial and installment lending activity revealed the proportion of the bank's lending to borrowers of different income levels and businesses of different sizes. 22.08% of installment loans were to low-income applicants, 22.08% were to moderate-income applicants, 28.57% were to middle-income applicants, and 27.27% were to upper-income applicants, within the sample. A total of 44.16% of loan originations were to low- and moderate-income individuals in the assessment area. In addition, the bank makes a significant number of loans under \$1,000.

Review of the commercial/agricultural loan sample and discussions with bank management concluded that all loans are small business and small farm loans. The examination loan sample revealed that lending to individuals of different income levels and businesses of different sizes exceeds the standard for satisfactory performance.

Geographic Distribution of Loans

There are no low- or moderate-income geographies within the bank's assessment area; therefore, analysis of loan distribution within geographies is not meaningful.

Response to Substantiated Complaints

No complaints were received by the institution regarding the CRA performance since the bank has become a state member bank.